

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

NORTH SHORE GAS COMPANY	)	
	)	
Proposed General Increase	)	No. 07-0241
In Rates for Natural Gas Service	)	
	)	
	)	
THE PEOPLES GAS LIGHT AND	)	
COKE COMPANY	)	
	)	
Proposed General Increase	)	No. 07-0242
In Rates for Natural Gas Service	)	

**BRIEF ON EXCEPTIONS  
REGARDING PROPOSED RIDER ICR  
OF THE CITY OF CHICAGO**

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**BRIEF ON EXCEPTIONS REGARDING PROPOSED  
RIDER ICR OF THE CITY OF CHICAGO**

Pursuant to Section 200.830 of the Rules of Practice<sup>2</sup> of the Illinois Commerce Commission (“Commission” or “ICC”) and the briefing schedule set by the Administrative Law Judges (“ALJ”) in their May 9, 2007 case management order, the CITY OF CHICAGO (“City”) by its attorney, Mara S. Georges, Corporation Counsel, submits its Brief on Exceptions Regarding Proposed Rider ICR. This Brief on Exceptions focuses solely on The Peoples Gas Light and Coke Company’s (“Peoples Gas” or “PGL”) proposed Infrastructure Cost Recovery Rider (“Rider ICR”). The sections of this brief are organized in accordance with the outline of issues submitted to the Administrative Law Judges (“ALJ”) on September 21, 2007.

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<sup>2</sup> 83 Ill. Adm. Code Part 200.

## **VII. NEW RIDERS**

### **C. Rider ICR**

#### ***EXCEPTION #1 – Rider ICR***

The Administrative Law Judges' Proposed Order ("ALJPO") incorrectly rejects proposed Rider ICR. ALJPO at 144-49. The City concedes that the legal analysis set forth in the ALJPO is thorough and supports rejection of PGL's other proposed riders in this case. However, there are important public policy reasons that warrant approving Rider ICR.

Rider ICR is designed to allow Peoples Gas to accelerate its cast iron and ductile iron main ("CI/DI") replacement program in the City. PGL Ex. VG-1.0 (2Rev.) at 49. The program that Peoples Gas currently has in place will replace existing CI/DI in the City over a 40-45 year time frame. PGL Ex. JFS-1.0 at 4-5. Rider ICR is designed to expedite this process.

As the City explained in its Initial Brief Regarding Rider ICR, Peoples Gas's distribution system is a mixture of low-, medium- and high-pressure mains. City Init. Br. Re Rider ICR at 2. While Peoples Gas is in the process of converting the low-pressure mains to medium- and high-pressure, much of the utility's legacy low-pressure system remains in place, with many safety issues peculiar to low-pressure systems. PGL Ex. JFS-1.0 at 8.

In fact, due to the peculiarities of low-pressure systems, federal regulations require that meters connected to the low-pressure system be inspected regularly for safety reasons. *Id.* As Mr. Schott also testified, many of these meters are located inside buildings. As the Commission is aware, the utility has had difficulty in accessing these inside meters. *Id.* at 8-9. Uninspected low-pressure meters present an added safety issue for City fire and emergency response

departments. Rider ICR will allow Peoples Gas to address these issues and other problems related to the low-pressure system on an accelerated basis.

The ALJPO notes that Peoples Gas has not asserted that “safety and reliability are not part of the supporting rationale for Rider ICR.” ALJPO at 147. While that may be true – and the City is not privy to information to the contrary – the reality is that many of the mains in the City are decades old. In a similar context, during the 1990's Commonwealth Edison Company (“ComEd”), based on its then current operating practices, informed the Commission, the City and other stakeholders that the age of its infrastructure did not indicate a safety or reliability problem with its transmission and distribution facilities. The significant and widespread outages in the City in 1999, at least partially, belied ComEd’s claim and led to significant remedial efforts. Again, the City has no information that Peoples Gas’s infrastructure is not safe or reliable. However, any failures in PGL’s mains could mean more than just customers being out of service for a period of time. Natural gas is explosive and any rupture or failure in a main could cause substantial physical damage, a matter of particular concern to the City as the likely emergency response entity.

In addition to those concerns, the state of the infrastructure in Chicago and enhancing its safe maintenance and operation are very important to the City. Peoples Gas’s proposed accelerated main replacement program represents a significant effort to bolster and improve this critical aspect of Chicago’s infrastructure and will allow Peoples Gas to provide safe and enhanced service.

*Substitute Language*

For these reasons, the Commission Analysis and Conclusions section on Rider ICR (ALJPO at 144-49) should be deleted and replaced by the following language.

The Commission is aware that its legal analysis with respect to other riders proposed by Peoples Gas and North Shore arguably applies to Rider ICR as well. However, the subject of Rider ICR – accelerated replacement of PGL’s legacy low pressure main system presents unique policy concerns that the Commission cannot ignore. In particular, the age of the low pressure main system concerns the Commission. We understand that Peoples Gas ensures that the advanced age of its low pressure mains do not present safety and reliability issues. See PGL-NS Rep. Br. at 110. However, the Commission has prior experience with similar infrastructure that impels us to take a cautious approach.

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During the 1990's Commonwealth Edison Company (“ComEd”) assured the Commission and other stakeholders that the age of its infrastructure did not mean that its transmission and distribution facilities were unreliable or not safe. The significant and widespread outages in the City in 1999, at least partially, belied ComEd’s claim. Although the record before us gives the Commission no reason not to take Peoples Gas at its word, any failures in PGL’s mains could mean more than just customers being out of service for a period of time. Natural gas is explosive and any rupture or failure in a main could cause substantial physical damage.

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For these reasons, the Commission approves Rider ICR as submitted by Peoples Gas.

## **XII. CONCLUSION**

For the reasons stated in this Brief on Exceptions, the City respectfully requests that the ALGPO be modified as discussed herein.

Dated: December 14, 2007

Respectfully submitted,

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